

Building up a B2B e-commerce strategic alliance model under an uncertain environment for Taiwan's travel agencies

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Abstract

E-travel agencies adopt B2B strategic alliances in order to strengthen their competitive advantages in the e-commerce travel market and because they are an effective tool to gain wider sustainable gains. External environmental and internal organizational factors impacting the success of strategic alliances model are themselves a crucial issue. This study uses multiple methods to collect data from multiple sources and uses qualitative and quantitative surveys. A two-stage research design is adopted to explore the present strategic alliances between Taiwan's wholesaler e-travel agencies and retailer sub-agencies. The results provide an in-depth understanding into the B2B e-commerce strategic alliance model. According to this research, Taiwanese e-travel agencies consider three external environment uncertainties, five internal organization motivations, five partner selection criteria, and two performance measurements of alliance strategies. Finally, the paper proposes an optimal B2B e-commerce strategic alliance model that matches the essential development needs of B2B e-commerce and overcomes the environmental uncertainties.

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1. Introduction

Travel agencies possess low overall entry and exit barriers and market competition is extremely intense. E-commerce is now becoming more accessible and other travel-related suppliers have even adopted a dis-intermediary policy. Facing such a policy threat and competitive pressure, travel agencies now have to quickly understand how to use B2B technology in order to strengthen their own competitive advantages and build up higher entry barriers. Increasingly, travel shoppers undertake their entire tourism product search and booking by going on-line, and therefore they require flexible, specialized, accessible, interactive products, and communication with tourism organizations (Garces, Gorgemans, Sanchez, & Perez, 2004). Through

this method, both practitioners and consumers have much more opportunities to eliminate one of the largest cost components in travel distribution. Hence, the use of the Internet to facilitate commerce among travel-related companies promises vast benefits: dramatically reduced costs, greater access to buyers and sellers, improved marketplace liquidity, and a whole new array of efficient and flexible transaction methods (Wise & Morrison, 2000).

In Hong Kong, most travel agencies are small- to medium-sized enterprises. These travel agencies are able to benefit by implementing e-commerce so as to improve their operational efficiency (Heung, 2003). Travel agencies in Taiwan face the same situation as above and e-commerce in their industry began as early as in 1999. After the e-commerce business model exploring period, a few large e-travel agencies now cover most of the total market share. Their accumulated e-commerce operating experience, know-how, and expertise have

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given their advantages over newcomers. On the contrary, small- and medium-sized travel agencies not only now face a scarcity of resources but they also lack IT technology when compared to large e-travel agencies. Despite the apparent benefits of Internet-based commerce to small businesses, a number of barriers to increased adoption are evident (Morrison & King, 2002). The most immediate potential for growth and profitability lies in the B2B market, particularly in the development of vertical portals or community extranets. These include virtual spaces enabling travel buyers and suppliers to trade on-line (Alford, 2000). Previous related e-commerce researches (Tsai, Huang, & Lin, 2005) and other current evidences indicate that e-commerce is not just a substitute for travel agencies, but is indeed a crucial tool to be used by all competitors to reach the market and grow their business. Therefore, wholesaler e-travel agencies must find a way to create sustainable competitive advantages that relate to specific e-commerce developing strategies. However, the competition that travel agents face comes not only from travel-related suppliers but also from other travel agencies who already perform e-commerce transaction services and offer almost the same travel products or even similar prices.

Due to the above pressure from e-commerce businesses, B2B transaction mechanisms have been generated by the large travel agencies in Taiwan's travel market. In the B2B e-commerce travel market, a wholesaler has the capability to develop dynamic virtual transaction platforms where buyers and suppliers are brought together. From the value chain's point of view, in order to be more efficient, a B2B model enables e-travel agencies to gain performance improvements by offering electronic services. It is these reasons that make Taiwan's travel agencies an ideal setting to study the adoption of a B2B e-commerce business model. Therefore, this study is quite innovative in that no related studies so far have analyzed nor tried to build up an optimal B2B strategic alliances model for e-travel agencies.

2. Literature review

The travel industry market nowadays is becoming increasingly competitive. Travel consumers have much more opportunities to access and purchase their final itinerary from multiple channels. It is evident that much of the competitive activity between tourism e-mediaries is based upon networking and the formation of strategic alliances (Dale, 2003). Strategic alliances and networks in the tourism industry have often been characterized by vertical, horizontal, and diagonal relationships (Evans, 2001; Poon, 1993). Dale (2000) illustrated this within the context of the UK tour operating industry, where major

tour operators have integrated their operations by systematically networking with suppliers and buyers in a distribution chain. Travel agencies have no choice but to downsize transaction costs and upgrade marketing efficiency towards a multi-channel focus in order to compete effectively against various new players. More and more B2B players are emerging with their own e-commerce businesses that mirror the above situation. There are some related studies that help better our understanding of the various dimensions of the strategic alliances theory, but few are related to the B2B e-commerce issue in the travel industry. These outputs can be classified under headings relating to external environment uncertainty, internal organization motivation, partner selection, and performance of strategic alliances.

2.1. *Enhancing the competitive advantage through strategic alliances under an external uncertain environment*

Environmental issues often have a significant impact on the development of alliances (Hyder & Abraha, 2004). When the uncertainty of the external environment is raised, an organization is encouraged to link up with other organizations so as to ensure the acquisition of rare market resources (Liu, 2004). As firms recognize that the environment has become more and more uncertain, the momentum for them to create strategic alliances as a tactical response to environmental change has become stronger and stronger (Lin & Chen, 2002). Transaction costs refer to those arising during some form of economic exchange, principally due to uncertainty and opportunism (Felstead, 1993). Frequent price changes combined with yield management create uncertainty. This uncertainty helps create the demand for services of travel agents (Ruden, 1997).

The formation of alliances is a crucial one, because a firm can enter a foreign market by itself or by forming an alliance with another firm so as to reduce investment risks and enhance its competitive advantage (Tse, Pan, & Au, 1997). However, alliances are not risk free, and building trust is important in overcoming the uncertainty facing the members (Morley, 2003; Nielsen, 2005). Dilts and Prough (2001) identified supplier pressures, changing technology, and the changing habits and decisions of customers as some of the adjustments that have caused the travel industry to become so turbulent and uncertain. Successful alliances establish a clear governance structure from the outset to manage this dynamic environment (Anslinger & Jenk, 2004). In a word, travel agency practitioners progressively attempt to manage these environmental uncertainties through various strategic alliances.

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